

Release of BIO Cellulosic Feedstock Study
November 21, 2006

Thomas C. Dorr
Under Secretary for Rural Development
Statement

Thank you. There is a lot of insight from the people on this panel. It is a pleasure to be here. Cellulosic ethanol is an historic opportunity for our nation and for rural America; a high priority for the Bush Administration; and a pillar of the President's Advanced Energy Initiative.

It is also a key objective for USDA and a key for Secretary Johanns. A year ago, Secretary Johanns established the USDA Energy Council, which I chair, to focus the efforts of the entire Department on renewable energy and energy efficiency. USDA Rural Development, NRCS, the Agricultural Research Service, the Forest Service, and CSREES are all actively involved in the cellulosic research effort, and we collaborate closely with the Department of Energy to coordinate our efforts in this area.

(Refers to the Advancing Renewable Energy Conference in St. Louis in October)

We are now at a critical moment. I am not going to count the proverbial chickens before they hatch, but after years of research, we now appear to be approaching the commercialization of cellulosic ethanol. We are not there yet, but several promising demonstrations are moving forward. I am sure that all of us here understand the enormous potential and share my hope and anticipation that we will cross the commercialization threshold sooner rather than later. (Mentions announcement of a new cellulosic ethanol plant in the Midwest)

It is, therefore, time to consider our next steps. There's an old saying about military affairs that amateurs study strategy and the professionals study logistics. That probably doesn't do justice to the strategists involved in this industry -- but it does make the point that you can't just push a pencil across a map without knowing how you're going to feed and move the troops.

We're at a similar point in thinking about cellulosic ethanol. A 60 billion gallon per year ethanol industry would displace something in the neighborhood of 30% of our current gasoline usage. It would be the biggest new market for American agriculture in history with very

significant opportunities for investment, jobs, economic growth, and wealth creation throughout all of rural America.

But we can't just push a pencil across the map without knowing how we're going to gather, transport and store biomass in massive quantities. This will involve the buildup of a very large new infrastructure. It will involve trucking, railroads, pipelines, staging areas, and production facilities. It will affect farming methods across the board. It will involve environmental permitting and rights of way issues, regulatory policy, and tax policy. It is time that we began to address these questions.

In fact, two years ago, in September of 2004, USDA RD entered into a partnership with the Imperial Young Farmers and Ranchers, in Nebraska, to begin assessing some of these questions. That project is ongoing and is yielding valuable information about sustainable agricultural practices and logistical requirements as they relate to harvesting cellulosic biomass.

The BIO study being released today is a further technical elaboration of this assessment effort. It is a very valuable contribution.

I am sure, however, that we will be revisiting many of these issues many times in the years to come. The technology is moving so fast sometimes its hard for us to appreciate. We will see bio-engineered improvements in feedstocks and enzymes. We will probably see the emergence of new families of feedstocks that we do not now anticipate. We will see an evolution of farming methods and equipment. This impacts every part of this complex system.

These, however, are not problems. They are in fact huge opportunities – opportunities for research and innovation, for higher returns to producers, for investment, for new businesses and new jobs.

That is why USDA Rural Development -- in addition to our existing grant, loan, and loan guarantee programs in support of renewable energy projects – has recently launched a research initiative focused on these next-generation strategic questions.

- In fact, we are studying business and investment models designed to facilitate local investment and ownership.

- In addition, we are looking at logistical and regulatory questions affecting the rapid buildout of new energy industries, including but not limited to cellulosic ethanol.
- Finally, we are studying issues related to the integration of distributed generation into the existing legacy systems.

From that perspective, I am gratified by BIO's contribution today. It deals with very important questions. There are innumerable details to be worked out. The bottom line, in my mind, is clear. American farmers can provide the feedstocks to support a growing cellulosic ethanol industry on a sustainable and environmentally sound basis. I believe that unequivocally. This report helps make that clear, and I recommend it to your attention. Thank you.